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FOR IMMEDIATE RELEASE:

Regulators Issue Charges Against Unlicensed Payday Lender

State intends to impose fines, require restitution and ban lender from the industry

OLYMPIA, WA – Expressit, Inc., a pawnshop and postal service business located in Lacey, was issued a statement of charges dated November 18, 2005, following an investigation of alleged illegal lending practices. Regulators at the Washington State Department of Financial Institutions (DFI) found multiple violations of state lending laws. Records obtained from Expressit, Inc. showed that the owners:

- provided small loans (known as “payday” loans) to hundreds of borrowers without a license
- failed to provide borrowers with written agreements or disclosures
- granted loans and charged fees in excess of the legal limitations
- refinanced payday loans with proceeds from other loans.

DFI intends to:

- fine Expressit, Inc. and its owners, Carl and Elaine Ehresman, \$72,800 for the above violations
- require restitution to all affected borrowers for any interest and fees collected on small loans
- ban the owners from the payday lending industry for five years
- require payment for investigative fees and expenses.

In February 2005, the Washington State Department of Financial Institutions (DFI) issued a temporary cease and desist order to Expressit, Inc. After investigating the company’s records, DFI found that over 375 consumers had obtained loans between July 2003 and February 15, 2005 from the unlicensed lender. Over 200 consumers had outstanding payday loans with principal balances totaling in excess of \$109,000.

In addition, DFI discovered that Expressit, Inc. had engaged in one of the more damaging illegal lending practices -- allowing borrowers to repay interest on existing loans with proceeds from additional small loans. This is known as “rolling” or “extending” loans. One borrower paid over \$19,500 in interest on a series of small loans ranging from \$600 to \$1,875 obtained since at least August 1997 through February 15, 2005. Other borrowers are in similar situations, paying large amounts of interest on successive small loans.

Expressit, Inc. and its owners have requested a hearing on the matter.

What is a payday loan?

A payday loan is a small, unsecured, high interest, short-term cash loan. In most cases, consumers write a post-dated, personal check for the advance amount, plus a fee. The lender holds the check for the loan period and then deposits it, or the customer returns with cash to reclaim the check.

What can I expect in Washington State?

Payday Lending Limits:

Maximum Loan Term: 45 days
Maximum Loan Amount: \$700
Maximum Fee: 15% on the first \$500
10% above \$500

Examples:

A loan for \$500 + \$75 fee = \$575
A loan for \$700 + \$95 fee = \$795

Under the Truth in Lending Act, the cost of credit must be disclosed. Among other information, you must receive information outlining the finance charge and the annual percentage rate (APR). The APR informs you of the cost of your loan. For example, a 14-day, \$500 payday loan with the maximum fee permitted by statute would have an APR of 391.07%.

For more information about payday lending, visit DFI's public education pages online at www.dfi.wa.gov or call 1.877 RING DFI.

*** To arrange an interview with Chuck Cross, Director of the Division of Consumer Services, contact Scott Kinney at 360-902-0517.

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